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UNCLAS PARIS 001861

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PASS FEDERAL RESERVE
PASS CEA
STATE FOR EB and EUR/WE
TREASURY FOR DO/IM
TREASURY ALSO FOR DO/IMB AND DO/E WDINKELACKER
USDOC FOR 4212/MAC/EUR/OEURA
DHS FOR CPO-NKELLY, TSA, CUSTOMS
DOT FOR OST S-1 (FLAHERTY) AND S-60

E.O. 12958: N/A

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SUBJECT: PARTIAL PRIVATIZATION OF HIGHWAY COMPANY SANEF

REFS: A) 04 PARIS 8218 B) 05 PARIS 1781

1. SUMMARY. The state-owned toll highway company SANEF, the third-largest in France, is going public, selling 950 billion euros in new shares on March 23. The GOF will keep a majority stake in the company as it did in number-one and two highway companies ASF and SAPRR. END SUMMARY.

2. Prior to his departure, former Finance Minister Herve Gaymard had announced France's partial privatization of the Northern and Eastern toll highway company SANEF (Societe des Autoroutes du Nord et de l'Est de la France) for early April 2005. On March 10, current Finance Minister Thierry Breton announced plans to advance the date. SANEF started to sell 950 million euros in new shares in an initial public offering, including 23.9 million shares to institutional investors and individuals. An additional 1.75 million shares may be sold to institutional investors if necessary, and a maximum of 1.79 million shares will be set aside for SANEF's employees.

3. SANEF sells shares to institutional investors at indicative prices of 36 euros to 41 euros each. Individuals will benefit from preferential conditions, paying shares 1 euro less, and be exempted from bank fees ("droits de garde") in the first 18 months. BNP Paribas, HSBC Holdings and UBS AG are taking orders for SANEF's shares from March 10 to March 22. SANEF's shares will be quoted on Euronext on March 23. The offering values SANEF at about 3.5-4.0 billion euros, including 69,734,126 existing shares.

4. The northern and eastern highways are heavily used and profitable. SANEF's Chief Executive Pierre Chassigneux recently said at a press conference that the company's net income more than doubled to 97 million euros in 2004 compared with 2003. SANEF plans to use funds it will raise in the sale to reduce its debt, giving it the possibility to return up to 85% of its 2005 profit to shareholders in 2006. SANEF's strategy is to increase the number of its automated toll collectors, and to upkeep and improve its highway network.

5. SANEF is the third French toll highway company to be partially privatized, after Southern highways ASF in March 2002 and Paris-Rhin-Rhone SAPRR in November 2004 (ref a). The GOF still controls ASF with its 50.3% stake, and SAPRR with a 70% stake. The GOF will keep a stake in SANEF of more than 70%.

6. In his March 16 press conference (ref b), Breton indicated that SANEF's privatization was "a success" as the order book is filled.
LEACH